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20 OCT 1961

**MEMORANDUM FOR:** Inspector General  
Deputy Director (Plans)  
Deputy Director (Intelligence)  
Deputy Director (Support)

**SUBJECT:** The Foreign Assistance Act of 1961

1. In view of the thorough overhaul of the Foreign Assistance Program and replacement of the Mutual Security Act with new legislation, it was felt desirable to prepare a Summary Analysis of the new law for the information of appropriate Agency components.

2. There are several interesting observations of a general nature. In the first place, it does not by its terms establish a new agency to administer the foreign aid program. Rather it makes provision for the President to designate an officer or agency to administer certain parts and it is assumed that in the near future an appropriate Executive Order will be issued. An Executive Order will also be required since most of the basic authorities in the bill are granted to the President and it is assumed he will delegate many of the authorities to the Administrator of the new agency. Also of general interest are the various types of reports required to be made to various Committees of the Congress. These requirements are listed in the Summary Analysis.

3. A number of the more interesting special provisions are listed below for easy reference.

a. Section 451 authorizes a contingency fund for the President of \$300,000,000 for foreign assistance under Part I of the Act.

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b. In section 613 the Secretary of the Treasury is given new authority with respect to foreign currencies including the responsibility of acquiring foreign currency information from other Government agencies.

c. Section 614 authorizes the President to use up to \$250,000,000 under the Act and up to \$100,000,000 of foreign currencies accruing under the Act without regard to provisions of law relating to receipts and credits accruing to the United States. Specifically in 614 the President may utilize funds available under Chapter 4, Part I to meet the responsibility of the U. S. in Germany, including West Berlin, without regard to such provisions of law as he determines should be disregarded. Additionally, the President is authorized to use amounts up to \$50,000,000 of funds made available under the Act solely on his certification that it is inadvisable to specify the nature of the use of such funds. (These are similar to Agency Confidential Funds.)

d. Section 624 establishes statutory officers to administer the program including one with the rank of Under Secretary. Among these specifically established is an Inspector General of Foreign Assistance. The Inspector General has wide authority including authority to suspend all or parts of any projects or operations. The Inspector General is also given \$2,000 per year confidential funds.

e. In the employment of people, the President by section 625 has authority to appoint and compensate 76 people who may be appointed, compensated, or removed without regard to the provisions of any law. These people who are appointed in these positions from other Government agencies are granted re-employment rights. For utilization outside the U. S., individuals may be appointed and receive compensation at rates established for the Foreign Service Act with the allowances and benefits thereof. Those who are appointed as Foreign Service Reserve from other agencies are entitled to reinstatement rights. With respect to the individuals appointed for overseas service, they may be removed without regard to any laws. Such personnel are granted severance benefits of one month's salary for each year of service.

f. Section 631 provides for the Chief and Deputy Chief of Missions abroad to be appointed by the President and the Chief may be placed in ambassadorial rank of Class 3.

g. Section 633 provides the President may determine, with respect to functions under the Act, those which may be performed without regard to provisions of law regulating the making, performance, amendment, or modification of contracts and expenditure of Government funds.

h. Section 634. Language is inserted here to provide for cutting off of funds if Congress or GAO has requested documents and they are not furnished unless the President personally intervenes.

i. Section 636. A number of administrative authorities are granted which may be of interest to the Agency.

j. Section 706. This section contains a series of amendments to the Foreign Service Act which is of particular interest to the Agency. Some of these amendments deal with training authorities and transportation for medical purposes. Another provision permits home leave after 18 months abroad. Also, there is statutory authorization for R & R leave for employees and their families.

4. A copy of the law, P. L. 87-195, is attached with the Summary Analysis. The Analysis itself does not purport to be a final or comprehensive explanation of the various provisions and is intended only to give a general picture. This Office will be pleased to go into any particular aspect of the law, if this is desired.



Legislative Counsel

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Atts. - 2

Summary Analysis  
P. L. 87-195

cc: Comptroller ✓  
Personnel  
Medical  
Logistics  
SSA-DD/S